

REASON ONE

Utah's Economic Clusters

Focus, Alignment and Prosperity

By Mark Dayton



NAPA VALLEY. COLORADO ROCKIES. RESEARCH TRIANGLE. ORLANDO. MOAB. Each of these terms conjures up a rich image of a unique “mini-economy” built around distinctive inherent characteristics.

Take Napa Valley, for example. Why has this area become not only the wine making, but the wine tasting capital of the world? A number of years ago California grape growers discovered that the Napa Valley had the ideal climate for their crop, and rather than fighting one another, the vineyards banded together to promote the area. What may not be readily apparent is the entire complex infrastructure of support industries that grew up around this cooperative effort.

The Utah Governor's Office of Economic Development (GOED), combined with sound economic theory, solid research and deep experience to produce the Economic Clusters Model. These clusters function as the foundation for the GOED's economic development work in the state. By capitalizing on core strengths and facilitating the development of clustered business environments where these strengths will result in a thriving economy, the Economic Clusters approach is successfully strengthening Utah's economy and increasing the state's standard of living.

HOW IT WORKS

Utah's Economic Cluster Initiative is designed around proven economic principles where collaboration among organizations offers sustainable advantages to local economies. “Clusters enable Utah companies to better leverage regional strengths and global market opportunities to help build and sustain economic growth in key targeted areas,” said Gary Harter, GOED Managing Director for the Clusters Initiative.

Through proximity, common vision, goals and integrated support from key entities, clusters can cohesively align businesses, research, ideas, capital, workforce, education and government around core competencies and inher-

ent resources. “Our vision is to make Utah best in class in key targeted industries or clusters,” said Harter.

The Governor's Office of Economic Development has become the catalyst to organizing the necessary resources, infrastructure and policies that contribute to successful economic clusters. “The key is to align around industry sectors that possess the greatest opportunity and return on investment for the state,” said Jason Perry, executive director for GOED.

The key to the success of the Cluster model is the recognition that, ultimately, research and innovation are the engines that drive the entire economic system. A system that encourages and supports aggressive research, and then provides a way for it to expand into entrepreneurial companies as the cluster matures, is essential. “Through the assistance of many bright, dedicated people, Utah has built a system that is rapidly evolving into a well-oiled machine that starts with ideas, and results in technologies, products and industries that are part of strong and growing clusters,” said Perry.

Utah has initially focused on economic clusters with key areas of core competencies that are identified as emerging or mature sectors. Many of the clusters chosen already have the seeds of a commercial and academic base outside of the Wasatch Front and will impact every corner of the state.

THE BENEFITS OF THE CLUSTER MODEL

Strong economic clusters translate directly into tangible benefits for Utah's businesses, citizens and educational institutions. Specifically, in clustered environments:

- Businesses have access to an experienced workforce, suppliers, customized services, and critical business resources
- Related businesses can work together to achieve new economies of scale, distribution channels and increased profitability
- University research becomes more focused on industry needs, potentially resulting in more high-tech commercialization opportunities

"Strong economic clusters translate directly into tangible benefits for Utah's businesses, citizens, and educational institutions, says Harter. "Clusters will catapult Utah into the national business spotlight."

WORLD ICONS

As the cluster initiative grows and matures, GOED believes Utah's industries will achieve iconic status around the world. "Moab and Utah Powder are already in the Napa Valley and Research Triangle class of recognition and excellence," says Perry. "The way we are going, it won't be too many years before many more Utah business clusters join those ranks."

COMPOSITES: SERIOUS BUSINESS IN UTAH

One of Utah's newest and fastest-growing business clusters centers around composites—strong, lightweight carbon-fiber materials used as major components in aircraft, including wings, fuselages, and, more recently, in a variety of non-defense related products like skis, tennis rack-

ets, bikes and golf clubs.

Gary Harter, managing director for the Economic Clusters Initiative at the Governor's Office of Economic Development (GOED), sees great promise for this sector going forward. "Our challenge is twofold," says Harter. "First, we need to help Utah companies succeed in obtaining defense-related contracts and to expand and grow as a result. Second, we need to make sure they have good reasons to stay in the state. Too often in the past we have seen successful small companies achieve some good wins,

begin to really grow and then move to other states with higher concentrations of defense and composites-related business."

Harter believes the reasons to stay are now in place, as witnessed by the growing number of aerospace and composites-related firms that have moved or grown up in Utah over the past several years.

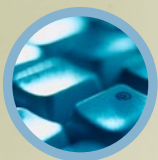
This cluster had its roots in the aerospace side of the business. From a core competency at Hill Air Force Base in maintaining composite-based fighters, the state has



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UTAH GOVERNOR'S OFFICE OF
ECONOMIC DEVELOPMENT (GOED)



UTAH ECONOMIC CLUSTERS

GOED has identified Seven specific clusters—each with subcategories—in its initial approach:

Life Sciences:

- Personalized/predictive medicine
 - Genetics and biomarker development
 - Pharmaceutical research and clinical services
 - Neuroscience
- Medical devices and products
- Microbe biotechnology
- Environmental and agricultural technology and remediation
- Cellular systems (nutrition research and infectious diseases)

Software Development

& Information Technology:

- Systems management and security
- Web services and software applications
- Wireless technologies
- Digital media and entertainment technology
- High-performance computing applications
 - Simulations, images, modeling and algorithms
- GIS mapping and imaging

Aerospace:

- Composites and advanced materials
- Propulsion systems
- Communications and avionics

Defense & Homeland Security:

- Smart sensors and chemical/biological detection
- Unmanned & Autonomus Systems

Financial Services:

- Industrial banks

Energy & Natural Resources:

- Energy independence
- Mining and mineral technology
- Water management

Outdoor Products & Recreation

- Outdoor products manufacturing
- Distribution
- Headquarters companies

The Office has identified an additional cluster that cuts across and enhances the others in a synergistic way. Comprised of some of Utah's key enablers and inherent strengths, these accelerators augment the advancement of other clusters.

Competitive Accelerators

- Nanotechnology
- Advanced manufacturing
- Logistics and distribution centers
- Networking infrastructure



rapidly developed the essential elements to expand and grow this industry. "Within the state we can do research, design, prototyping, testing, manufacturing and distribution," says Harter. The expertise built around defense projects will carry over into the fast growing private sector for general aviation and other projects, including non-defense related products such as skis and outdoor recreation products.

Utah is home to a number of leading companies in the field, including Hexcel (aerospace composites), Goode (skis) and ATK (wings for the Joint Strike Fighter), which all now operate within the state.

Harter sees Utah building an entire industry supply chain around this technology, much like the automotive industry around Detroit or retail around Wal-Mart in Arkansas. "Utah should become the supplier of choice for composites for general aviation and other products as well as defense," he says. "All of these essential pieces coming together are beginning to put Utah on the map as a major force in the composites industry."

The strategy appears to be working. As more military contractors and non-military manufacturers join this cluster, the world is beginning to realize that composites in Utah are serious business.



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ECONOMIC CLUSTERS PROGRAM,
GOED

OUTDOOR PRODUCTS: A NATURAL FOR UTAH

Outdoor products are big business in the United States, with a nationwide impact estimated at \$730 billion annually. Utah not only garners a respectable piece of the action, with annual revenues estimated at more than \$4 billion, but is increasingly in the limelight of the industry's focus and growth.

Salt Lake City has been the site of the outdoor retail industry's two biggest annual shows (summer and winter) for 10 years running and recently received a new contract for the shows to remain in the city through 2009, based on the Outdoor Industry Association board's unanimous vote. Attracting approximately 22,000 at-

tendees in the summer and 18,000 in the winter, these growing bi-annual events spurred a recent \$58 million expansion of the Salt Palace Convention Center, which was completed in August 2006. The 2007 winter tradeshow took advantage of the extra room with the most exhibitors ever to visit the event.

Peter Devin, group show director for Outdoor Retailer, says, "It's a great, natural place for us to be." From a tradeshow perspective, Devin points out that beyond the allure of Salt Lake's convenient proximity to natural wonders, "It's become a comfortable place for people to do business. They know where to go, they know where to sleep, where to eat, where to meet for a beer..."

The industry's growth has also inspired the Governor's Office of Economic Development (GOED) to announce a seventh cluster dedicated to outdoor products and recreation. "It's very similar to our other clusters," says Jason Perry, executive director of GOED. "We've identified the key industries where we can compete, here in Utah, with anyone in the world."

One of the pioneers in recognizing Utah's potential as an outdoor industry hub, Black Diamond Equipment Ltd., made the move from Southern California to Utah in 1991, after a year-long systematic search of the West.

"We were looking for a location that would reside on the asset side of the balance sheet," explains Peter Metcalf, CEO and co-founder of the climbing equipment company.

Though several spots boasted proximity to climbing and backcountry skiing, Salt Lake won out over Fort Collins, Colorado, due to its manufacturing potential. Over the past 15 years, Metcalf has seen his company grow from 40-plus employees and \$5 million in sales to 400-plus employees and \$60 million in sales since the relocation. That growth has also led to spin-offs developed by former Black Diamond staffers.

The combined effect of a bi-annual

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massive tradeshow presence and active government recruitment has proven a recipe for success. Hot on the heels of Quiksilver's (U.S. operations of Rossignol, Dynastar, Lange and Look) move to Park City in the fall of 2005, Amer Sports recently chose Ogden as its headquarters for winter and outdoor products (including the Atomic, Salomon and Suunto brands).

Two existing outdoor retail companies in Utah—Backcountry.com and Smith Sport Optics—have announced plans to expand, while a third—Peregrine Outfitters, a wholesale distributor of outdoor accessories—acquired a manufacturing facility in the state. Altogether, these three businesses will bring 1,500 new jobs in the next five years.

"This truly is becoming the year round outdoor products and recreation capital of America," says Perry. "This is the place where you can take your product off the manufacturing floor in the morning and be testing it in the afternoon."

Outdoor companies in Utah see it exactly that way, says Charla Brown, director of human resources for Backcountry.com, an online retailer of outdoor and backcountry brands with operations in Park City and West Valley City. "This is a fantastic place to test and use the gear that we sell."

Utah is a natural choice for a growing number of these national and international outdoor products companies and retailers. A recent ad in an outdoor industry trade magazine sums up the Utah advantage: "Utah: Your 23-million-square-foot product testing facility."

**Forbes magazine named Utah
#2 as a "Best State for Business"**